

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

First-Class Package Service (FCPS)
Service Standard Changes, 2021

Docket No. N2021-2

PRESIDING OFFICER'S INFORMATION REQUEST NO. 4
AND NOTICE OF FILING UNDER SEAL

(Issued July 16, 2021)

Pursuant to Order No. 5920¹ and 39 C.F.R. §§ 3020.117 and 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(c) regarding First-Class Package Service (FCPS) Service Standard Changes.² To facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than July 23, 2021.

¹ Notice and Order on the Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 21, 2021 (Order No. 5920).

² United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 17, 2021 (Request).

The following questions refer to witness Hagenstein's testimony (USPS-T-1):³

1. Please refer to USPS-T-1, at 3, lines 10-13, and at 4, lines 1-2. The Postal Service states that “[i]ncreasing FCPS service standards by one and, in some cases, two days, will therefore serve multiple purposes: enabling the Postal Service to transport a greater volume of FCPS mail within the contiguous United States by more reliable surface transportation rather than by air transportation; enabling the Postal Service to better meet the revised service standards; and reducing cost to the Postal Service by favoring the less expensive surface transportation modes.”
 - a. Please estimate the cost incurred to meet the existing FCPS service standards at the actual percent on-time level achieved for Fiscal Year (FY) 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.
 - b. Please estimate the cost that would have been incurred to meet the existing FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions the methodology underlying the calculation of this cost estimate.
 - c. Please estimate the cost that would have been incurred to meet the proposed FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.
2. Please refer to Response to Presiding Officer's Information Request No. 1, question 4.a.⁴ The Postal Service states that “[a]ctual days to deliver

³ Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-1), June 17, 2021; *See also* Notice of Filing Replacement Direct Testimony of Stephen B. Hagenstein on behalf of the United States Postal Service (USPS-T-1), June 21, 2021; Notice of the United States Postal Service of Revisions to Certain Pages of the Request for an Advisory Opinion, USPS-T-1, USPS-T-2, and USPS-T-3 -- Errata, July 2, 2021 (Errata to Request and Testimony).

⁴ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officers' Information Request No. 1, July 6, 2021 (Responses to POIR No. 1)

performance metrics were reviewed to determine the target. Based on the proposed service standard changes, plus the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations, a 95 percent target for on-time performance was selected.”

- a. Please provide “[a]ctual days to deliver performance metrics” for FCPS for FY 2017 through FY 2020, disaggregated by quarters and annualized for each fiscal year.
 - b. Please identify the source data and explain the methodology and calculation that was used to derive the metrics.
 - c. Please explain what assumptions were made regarding the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
 - d. Please explain what assumptions were made regarding the changes that would be needed to train and align additional staffing to handle expected FCPS volume, deploy additional mail processing equipment to handle expected FCPS volume, and deploy additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
 - e. Please identify and explain any other assumptions made to select the 95 percent on-time target level.
3. Please refer to Responses to POIR No. 1, questions 7.b. and 7.c.
 - a. Please confirm that the surface utilization for FCPS can be isolated. If confirmed, please provide surface utilization data for FY 2017 through FY 2020 annually for each FCPS product, disaggregated by quarter. If not confirmed, please discuss the challenges of isolating surface utilization for FCPS with a reasonable degree of confidence using scans.

- b. Has the Postal Service developed an estimate of the change in surface transportation capacity utilization for the change in service standards for FCPS in isolation? If so, please provide this estimate.
- 4. Please refer to Response of The United States Postal Service to Question 8.B of Presiding Officer's Information Request No. 1, July 7, 2021. Please identify the reason(s) leading to the utilization of charters to increase from FY 2015 to FY 2016 and from FY 2017 to FY 2018.
- 5. Please refer to Responses to Presiding Officer's Information Request No. 2, question 10 describing the process for developing the initial service standards for FCPS.⁵
 - a. Please refer to the nation-wide goal of "planned Clearance Time for Outgoing Secondary operations at the origin is 0030." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new proposal contains a new processing goal for Outgoing Secondary parcel operations.
 - b. Please refer to the assumption that "90 minutes for manual processing and dispatch would allow dispatching as early as 0200." Does this assumption still hold true for FCPS? If not, please discuss what changed, when, and how the new proposal adjusts it to be a more realistic assumption.
 - c. Please refer to the nation-wide goal of "planned departure from origin at 0200 and arrival prior to 0800 determined the 6-hour reach." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new processing goal for the clearance of outgoing parcels.
- 6. Please refer to the Response to POIR No. 2, question 10, describing the process for developing the proposed service standards for FCPS.

⁵ Responses of the United States Postal Service to Questions 1-15 of Presiding Officers' Information Request No. 2, July 8, 2021 (Responses to POIR No. 2).

- a. What is the Postal Service's confidence level that it can achieve an 8-hour reach for FCPS 2-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
 - b. Accounting for the planned Critical Entry Time (CET) for packages that would be 12-hours later than the CET for letters and flats and allowing up to eight hours for routing and transfer of volumes through a Surface Transfer Center (STC), what is the Postal Service's confidence level that it can achieve a 32-hour reach for FCPS 3-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
 - c. Given an additional six hours for additional transfers and to help mitigate service impacts from transit delays, what is the Postal Service's confidence level that it can achieve a 50-hour reach for FCPS 4-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
7. Please refer to Responses to POIR No. 2, question 8.c. Please confirm that no additional products are impacted by the proposal. If not confirmed, please list all additional affected products.
8. Please refer to Responses to POIR No. 2, question 14.b. The Postal Service states that "Special Service Code (SSC) 401 is an optional code employed to identify [the] pharmaceutical volume. FCPS volume with this SSC in the data set used to identify pharmaceutical volume between pairs and determine the percentage impacted by the proposed service standard change."
 - a. Please describe Special Service Codes generally, how they are used by mailers, and how they are used by the Postal Service
 - b. Please explain whether SSCs are unique to each product or class of mail, and whether the same SSCs are used for different products.
 - c. Please define SSC 401.

- d. Does SSC 401 also refer to FCPS containing non-prescription medications (e.g., medicines available without a prescription)? Is there a separate code for non-prescription medications?
- e. Does SSC 401 also refer to FCPS containing medical devices? Is there a separate code for medical devices?
- f. Does SSC 401 also refer to FCPS containing any content shipped by a pharmaceutical mailer? Is there a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS?
- g. Who has the option to apply SSC 401 to FCPS? Is it solely at the discretion of Postal Service personnel, or is it applied by the shipper? If the answer is the former, please identify which Postal Service personnel (collections, processing, delivery, or other) has the option to apply SSC 401.
- h. How is SSC 401 applied to FCPS? Please describe the process and criteria for application.
- i. Is SSC 401 based on a scan(s)? If yes, which scan(s)/processing operation(s) is SSC 401 applied to FCPS? If it is possible to apply SSC 401 at multiple scan point(s)/processing operation(s), which is most commonly applied?
- j. Is SSC 401 only for Full-Service Intelligent Mail Package Barcode (IMpb) FCPS?
- k. Is SSC 401 applied to FCPS using only basic IMpb?
- l. Is SSC 401 reflected on the Shipping Services File (SSF)⁶ for FCPS?
- m. What special handling does FCPS coded SSC 401 receive under the existing standards?

⁶ See United States Postal Service, *Postal Pro: IMpb Fact Sheet*, available at <https://postalpro.usps.com/shipping/impb/impbfactsheet>.

- n. What special handling would FCPS coded SSC 401 receive under the proposed standards?
 - o. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the existing standards?
 - p. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the existing standards?
 - q. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the proposed standards?
 - r. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the proposed standards?
 - s. Please provide the pharmaceutical volumes in other products identified using SSCs, disaggregated by product and SSC as available for FY 2019 and FY 2020.
9. Assuming that the Postal Service implements its proposal on or about October 1, 2021, as planned, does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level for FY 2022?
- a. If yes:
 - i. Please discuss the basis that supports the Postal Service's assertion.
 - ii. Please discuss the level of confidence that the Postal Service has with its assertion.
 - b. If not:
 - i. Please explain the reason for the Postal Service's answer.

- ii. Does the Postal Service plan to set an interim target that is lower than 95 percent on time for FY 2022? If yes, what is the interim target?
- 10. Has the Postal Service done any operational testing in the field of the proposed expanded reach of the 2-day service standard for FCPS? If yes, please describe the operational field test and the scale of the operational field test.
- 11. Is any operational testing in the field planned for the expanded reach of the 2-day service standard for FCPS before implementing the proposed changes? If yes, please describe the planned operational field test and the scale of the planned operational field test? If none is planned, why not?
- 12. Please refer to USPS-T-1 at 1 n.4. The Postal Service states that “[e]ffective April 17, 2020, in response to issues concerning the COVID-19 pandemic, the Postal Service included an additional transportation day for FCPS.”
 - a. How will the operational process differ if the proposal is implemented on or after October 1, 2021, compared to now?
 - b. Please confirm that if the proposal is implemented on or after October 1, 2021, doing so will replace (rather than add to) the additional transportation day added to the existing service standards for FCPS due to the COVID-19 pandemic.
 - i. If confirmed, when would the official changeover be implemented?
 - ii. If not confirmed, please state when the additional transportation day due to COVID-19 will be eliminated.
- 13. For each fiscal year, please estimate the percentage by which on-time service performance for FCPS would have increased if the proposed standards had been in effect for FY 2017 through FY 2020. Please provide results for total FCPS volume, as well as results disaggregated by commercial versus retail FCPS.
- 14. Please refer to the discussion of CETs for FCPS appearing at USPS-T-1 at 8, lines 7-11, and at 14, lines 2-21.

- a. Under the proposed changes, please specify if CETs for facilities that process FCPS may differ based on location or if a national CET will be set.
 - b. Under the proposed changes, which Postal Service personnel/office(s) will be responsible for setting CETs for facilities that process FCPS?
 - c. What metrics will those personnel use to decide if a CET needs to be modified?
 - d. Will a specific threshold(s) or other criteria be used (e.g., if performance drops lower than a predetermined percent on-time level) that will trigger re-evaluation of CETs? If so, please identify the threshold(s) or other criteria.
15. Please refer to Docket No. N2021-1 Response to POIR No. 3,⁷ question 9. Please also refer to the Response to POIR No. 2,⁸ question 4. The Postal Service provides the following values for the actual Fiscal Year (FY) 2020 inter-Sectional Center Facility (SCF) surface network, adjusted to exclude transportation outside the model's scope in both the Docket No. N2021-1 proceeding and in the instant proceeding.

Number of daily trips		Number of daily mileages		Average trip distance		Capacity utilization	
N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2
6,308	9,616	2,406,448	1,966,466	381 miles	204 miles	39%	45%

- a. Please explain whether the transportation deemed outside the model's scope differs between the modeled networks that are the subject of the

⁷ Docket No. N2021-1, Responses of the United States Postal Service to Questions Presiding Officer's Information Request No. 3, May 26, 2021 (Docket No. N2021-1 Response to POIR No. 3).

⁸ Responses of the United States Postal Service to Questions 1-15 of Presiding Officer's Information Request No. 2, July 8, 2021 (Response to POIR No. 2).

Docket No. N2021-1 proceeding and of the instant proceeding. In the provided explanation, please address, specifically, why the actual network, adjusted for outside of scope transportation, in the instant proceeding, includes about 50 percent more trips, about 20 percent fewer network mileages, and its average trip is about 50 percent shorter in distance.

- b. Please confirm that all modeling assumptions, constraints, site-specific operational nuances not accounted for in the modeling, and optimization instructions, are the same in the modeled networks subject of the two proceedings referenced in this question. If not confirmed, please list all differences (other than differing service standards and Critical Entry Times).
16. Please refer to the Response to POIR No. 1,⁹ question 9. Please also refer to Library Reference USPS-LR-N2021-2-NP5, July 6, 2021, Excel file “Pref and NDC combined networks - potential benefit.xlsx,” tab “NDC trip reduction.” Please confirm that the Postal Service calculates the 28 percent reduction in inter-Network Distribution Center (NDC) trips/mileages by assuming an increase in capacity utilization from the current 47 percent to a target capacity utilization of 65 percent, rather than by analyzing relevant mail volumes, and their respective operating window constraints. If not confirmed, please explain. If confirmed, please explain why such analysis produces a realistic estimate of future savings from the consolidation of the two networks.
 17. Please refer to the Response to POIR No. 2, question 2.b. The Postal Service explains that the discrepancy between the baseline network mileages and the distribution of the actual FY 2020 surface transportation costs between inter-P&DC, inter-Cluster, and inter-Area categories, was caused “in part” by not including “feeder to aggregate” trips/mileages in the presented summary of its analysis. The Postal Service further explains that it estimated the mileages for

⁹ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer’s Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

the “feeder to aggregate” trips outside of the model. Please provide additional information related to the “feeder to aggregate” transportation.

- a. Please provide the number of daily “feeder to aggregate” trips for each of the inter-P&DC, inter-Cluster, and inter-Area contract category and explain why this transportation was estimated outside the model. Please also explain whether the “feeder to aggregate” transportation represents inter- or intra-SCF transportation and whether it is provided by contracted or postal-owned vehicles.
- b. The table below is a summary of the percentages of total FY 2020 surface transportation costs and baseline network mileages, as originally filed and as updated by the Postal Service to include “feeder to aggregate” transportation.

	Baseline network mileages, as originally filed	Baseline network which includes “feeder to aggregate” mileages	FY 2020 surface transportation costs
Inter-Area	78 %	75 %	72 %
Inter-Cluster	21 %	22 %	16 %
Inter-P&DC	1 %	4 %	12 %

The Postal Service explains that the omission of the “feeder to aggregate” transportation explains the discrepancy between the FY 2020 surface transportation costs and the modeled baseline network mileages (as originally filed) “in part.” To the extent possible, please explain the remaining discrepancy between the costs and the revised baseline network mileages.

18. Please refer to Library Reference USPS-LR-N2021-2-NP2, revised July 13, 2021, Excel file “10_3digit_FCPS_Private_REV_7.13.21.xlsx” (10_3digit FCPS Excel file), tab “All Pairs.” Please provide an excel file, which includes all data from the above referenced excel file, and the following additional information:
 - a. Distance, in miles, for each “ONASS” and “DNASS” pair (OD Pair),
 - b. Drive time, in hours, for each OD Pair,

- c. First-Class Mail (FCM) volume for each OD Pair, currently included in the 10_3digit FCPS Excel file (*i.e.*, for those origin and destination facilities which have processing and sortation capabilities for all mail shapes),
- d. For OD Pairs currently included in the 10_3digit FCPS Excel file, for which either the origin, the destination, or both the origin and destination facilities do not have processing and sorting capabilities for all mail shapes, please provide additional rows of data corresponding to 3-digit origin to 3-digit destination ZIP Code pairs,
- e. Current FCM and proposed FCM service standard,
- f. Current FCM and proposed FCM transportation mode.

The provided Excel file should account for total modeled daily FCM, FCPS, and pharmaceutical volumes.

19. Please refer to the Response to POIR No. 2, question 13.c. The Postal Service explains that each origin facility across the country makes separations, by product, to destination facilities. The Postal Service further clarifies that these separations are limited by the origin sortation equipment/capability and by sortation equipment/capability at each destination and can lead to special handling and routing of mail between the origin P&DC, parent Area Distribution Center (ADC), and the destination SCF.
- a. Please explain whether each OD Pair, provided in the 10_3digit FCPS Excel file referenced in question 18 above, might represent one or more routings, depending on separation and shape-based processing capabilities of origin P&DCs and destination SCFs.
 - b. Please explain whether the origin sortation equipment/capabilities currently prevent pairing of FCM and FCPS volumes at origin and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when such pairing would continue to not be possible, following the implementation of the

proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.

- c. Please explain whether the destination sortation equipment/capabilities currently prevent transporting FCM and FCPS volumes on the same trips and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when shared transportation would continue to not be possible following the implementation of the proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.
- d. Following the Postal Service's response to question b. above, please describe the process the Postal Service will use to pair volumes processed in separate origin facilities. In the provided explanation, please include information on additional trips and mileages, as well as additional time requirements pairing of volumes from separate origin facilities would involve, and describe how these additional requirements were accounted for in the modeling.
- e. Following the Postal Service's response to question c. above, please describe the process the Postal Service will use to enable sharing of truck space for volumes processed in one origin facility, but destined to separate destination facilities, on the basis of destination sites' sortation equipment/capabilities. Please describe how the associated additional network requirements were accounted for in the modeling.

20. Please see Attachment, filed under seal.

The following question refers to witness Kim's testimony (USPS-T-2):¹⁰

21. Please confirm that the base year cost savings from shifting FCPS volumes from air to surface transportation include all charter flights occurring during the base year (FY 2020). If not confirmed, please explain.
- a. If confirmed, please explain the rationale for calculating cost savings using an outlier year as a base year. Additionally, please refer to USPS-T-2, at 4, lines 8-12. The Postal Service states "...witness Hagenstein projects a range of possible percent capacity reductions in charters. This percent reduction is multiplied by the charter cost in order to calculate the expected savings from charters. Charters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic."
 - b. Please confirm that additional cost savings projected for the proposed changes from charter flights are added on to the base year amount. Please explain the discrepancy between charter flight costs in the base year and the additional savings projected.
22. Please see Attachment, filed under seal.

Ann C. Fisher
Presiding Officer

¹⁰ Direct Testimony of Michelle Kim on Behalf of the United States Postal Service (USPS-T-2), June 17, 2021; See *also* Notice of the United States Postal Service of Revisions to Certain Pages of the Request for an Advisory Opinion, USPS-T-1, USPS-T-2, and USPS-T-3 -- Errata, July 2, 2021 (Errata to Request and Testimony).